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SUBJECT: RUSSIA REACTS NEGATIVELY TO IMPOSITION OF ISNPA SANCTIONS

REF: A. 06 MOSCOW 13175

1B. 06 STATE 203587

Classified By: Charge d'Affaires Daniel A. Russell. Reasons 1.4 (B/D).

¶1. (C) SUMMARY: Russia's first official public reaction was calmly negative to the December 28 imposition of sanctions against four Russian entities under the Iran-Syria Non-Proliferation Act. The Foreign Ministry characterized the U.S. action as an "illegal" effort to extend U.S. law to the activities of foreign companies. A spokesman for Rosoboronexport, one of the sanctioned firms, as well as unofficial commentators, denounced the sanctions as an attempt by the U.S. to stifle increasingly competitive Russian companies from selling arms and to avenge sales to Venezuela. While the GOR has not completed its assessment of the full impact of the sanctions, one Foreign Ministry official predicted political fallout. END SUMMARY.

¶2. (SBU) Reaction to the imposition of sanctions against four Russian entities under the Iran-Syria Non-Proliferation Act (reflets) has been uniformly negative over the past two weeks. Much of the press commentary described the U.S. action (published in the Federal Register January 5) as "illegal" and unfair and defended the entities involved as having acted in full compliance with Russia's laws and international obligations. Some commentators cast the sanctions as an effort by the U.S. to counter the increasing competition posed by Russia's arms transfers to other countries and as a tit-for-tat response to arms sales to Venezuela.

¶3. (SBU) The Foreign Ministry issued a statement January 6, which constituted Russia's first official public reaction to the sanctions. It referred to the imposition of sanctions as an "illegal" attempt by the U.S. to extend requirements of its domestic legislation to foreign companies and force them to abide by U.S. rules. The statement rejected "unfounded allegations" that the entities were involved in the illicit transfer of missile technology or weapons of mass destruction (WMD) components in violation of Russian law or international agreements.

¶4. (SBU) Other officials voiced similar views. Deputy Prime Minister and Defense Minister Sergey Ivanov, who also heads Russia's export control commission, emphasized January 6 that none of the entities had violated Russian law or international norms governing the transfer of WMD or missile technology. A spokesman for Rosoboronexport (one of the four sanctioned entities) denied that the firm had transferred banned commodities or technology to Syria, Iran, or Venezuela. Federation Council Speaker Sergey Mironov and Deputy Duma Speaker Vladimir Pekhtin were among those who suggested that the sanctions were imposed in response to

increased competition from Russia.

¶5. (C) Andrey Belousov in the Political-Military section of the Foreign Ministry's North America Department told us January 9 that the GOR would soon consider the full impact of the sanctions, including their possible impact on the overall bilateral relationship. Belousov said the timing of the sanctions (the day before a ten-day holiday period) had not yet allowed government officials to assess their practical impact, especially from an inter-agency perspective. However, he questioned the justification for the action, speculating that there would likely be fallout.

RUSSELL